

**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1**

GRADY COUNTY, OKLAHOMA

JUNE 30, 2013

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GRADY COUNTY, OKLAHOMA

JUNE 30, 2013

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**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. I-1, GRADY COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2013**

**BOARD OF EDUCATION**

President	Scott Williams
1st Vice President	Julie Hibbard
2nd Vice President	Ted Bingham
Member	Julie Badgett Sinn
Member	Ryan Copeland

**SUPERINTENDENT OF SCHOOLS**

Jim Glaze

**SCHOOL DISTRICT TREASURER**

Dwight Yokum

**ENCUMBRANCE CLERK**

Kelly Hair

**BOARD CLERK**

Christal Bates

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Chickasha Independent School District #1  
Grady County, Oklahoma

Board Members:

### Report on Financial Statements

We have audited the accompanying combined fund type and account group financial statements of the **Chickasha Independent School District #1**, Grady County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the district's regulatory financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statements are prepared by **Chickasha Independent School District #1**, Grady County, Oklahoma, on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **Chickasha Independent School District #1**, Grady County, Oklahoma, as of June 30, 2013, or the changes in its financial position, for the year then ended.

### **Basis for Qualified Opinion on Regulatory Basis of Accounting**

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of **Chickasha Independent School District, #1**, Grady County, Oklahoma as of June 30, 2013, and the revenues collected, expenditures paid/expenses, and budgetary results, for the year ended on the regulatory basis of accounting described in Note 1.

### **Other Matters**

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Chickasha Independent School District #1, Grady County, Oklahoma’s** combined financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *Oklahoma Department of Education* and/or the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements.

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements as a whole on the regulatory basis of accounting described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the **Chickasha Independent School District, #1, Grady County, Oklahoma's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering **Chickasha Independent School District, #1, Grady County, Oklahoma's** internal control over financial reporting and compliance.

*Angel, Johnston & Blessingame, P.C.*

Chickasha, Oklahoma  
December 3, 2013

## COMBINED FINANCIAL STATEMENTS

**Chickasha School District No.1-001, Grady County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Fund Types and Account Groups**  
**For the Year Ending June 30, 2013**

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Long- Term Debt	June 30, 2013
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 2,466,853	\$ 100,765	\$ 76,801	\$ 171,986	\$ 269,060	\$ 0	\$ 3,085,465
Investments	0	0	0	0	0	0	0
Amounts Available in Debt Service Fund	0	0	0	0	0	76,801	76,801
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0	4,248,199	4,248,199
Amounts to be Provided For Capitalized Lease Obligations	0	0	0	0	0	29,496,936	29,496,936
Amounts to be Provided For Compensated Absences	0	0	0	0	0	343,484	343,484
<b>Total Assets</b>	<b>\$ 2,466,853</b>	<b>\$ 100,765</b>	<b>\$ 76,801</b>	<b>\$ 171,986</b>	<b>\$ 269,060</b>	<b>\$ 34,165,420</b>	<b>\$ 37,250,885</b>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Warrants Payable	\$ 1,202,464	\$ 5,617	\$ 0	\$ 4,410	\$ 87	\$ 0	\$ 1,212,578
Reserve for Encumbrances	318,936	33,212	0	29,956	12,614	0	394,718
Due to Activity Groups	0	0	0	0	253,197	0	253,197
General Obligation Bonds Payable	0	0	0	0	0	4,325,000	4,325,000
Capitalized Lease Obligations Payable	0	0	0	0	0	29,496,936	29,496,936
Compensated Absences Payable	0	0	0	0	0	343,484	343,484
<b>Total Liabilities</b>	<b>\$ 1,521,400</b>	<b>\$ 38,829</b>	<b>\$ 0</b>	<b>\$ 34,366</b>	<b>\$ 265,898</b>	<b>\$ 34,165,420</b>	<b>\$ 36,025,913</b>
Fund Balances:							
Restricted For:							
Debt Service	\$ 0	\$ 0	\$ 76,801	\$ 0	\$ 0	\$ 0	\$ 76,801
Capital Projects	0	0	0	137,620	0	0	137,620
Building Programs	0	52,065	0	0	0	0	52,065
Child Nutrition Programs	0	9,872	0	0	0	0	9,872
Unassigned	945,452	0	0	0	3,162	0	948,614
<b>Total Fund Balances</b>	<b>\$ 945,452</b>	<b>\$ 61,937</b>	<b>\$ 76,801</b>	<b>\$ 137,620</b>	<b>\$ 3,162</b>	<b>\$ 0</b>	<b>\$ 1,224,972</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,466,853</b>	<b>\$ 100,765</b>	<b>\$ 76,801</b>	<b>\$ 171,986</b>	<b>\$ 269,060</b>	<b>\$ 34,165,420</b>	<b>\$ 37,250,885</b>

The notes to the financial statements are an integral part of this statement.



**Chickasha School District No.1-001, Grady County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - All Governmental Fund Types**  
**For the Year Ending June 30, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2013
<b>Revenue Collected:</b>					
Local Sources	\$ 2,580,786	\$ 674,165	\$ 2,172,011	\$ 314,335	\$ 5,741,297
Intermediate Sources	402,319	0	0	0	402,319
State Sources	11,178,194	13,515	25	0	11,191,734
Federal Sources	1,747,164	719,911	0	0	2,467,075
Non-Revenue Receipts	6,998	0	23,638	0	30,636
<i>Total Revenue Collected</i>	<u>\$ 15,915,462</u>	<u>\$ 1,407,590</u>	<u>\$ 2,195,675</u>	<u>\$ 314,335</u>	<u>\$ 19,833,061</u>
<b>Expenditures Paid:</b>					
Instruction	\$ 9,835,717	\$ 8,184	\$ 0	\$ 159,637	\$ 10,003,538
Support Services	6,472,799	370,146	0	47,177	6,890,123
Operation of Non-Instructional Services	770,189	562,529	0	0	1,332,718
Facilities Acquisition and Construction	23,670	9,235	0	4,176,253	4,209,157
Other Outlays	567	0	0	0	567
Other Uses	0	0	0	0	0
Repayments	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	2,180,000	0	2,180,000
Interest and Fiscal Agent Fees	0	0	43,170	0	43,170
<i>Total Expenditures Paid</i>	<u>\$ 17,102,942</u>	<u>\$ 950,094</u>	<u>\$ 2,223,170</u>	<u>\$ 4,383,067</u>	<u>\$ 24,659,273</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (1,187,481)</u>	<u>\$ 457,496</u>	<u>\$ (27,495)</u>	<u>\$ (4,068,733)</u>	<u>\$ (4,826,212)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 56,955</u>	<u>\$ 17,098</u>	<u>\$ 0</u>	<u>\$ 4,000</u>	<u>\$ 78,053</u>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 1,832	\$ 0	\$ 0	\$ 2,395	\$ 4,227
Bond Proceeds	0	0	0	4,175,000	4,175,000
Transfers In	646,987	700	0	0	647,687
Transfers Out	0	(501,740)	0	0	(501,740)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 648,819</u>	<u>\$ (501,040)</u>	<u>\$ 0</u>	<u>\$ 4,177,395</u>	<u>\$ 4,325,173</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (481,707)</u>	<u>\$ (26,446)</u>	<u>\$ (27,495)</u>	<u>\$ 112,662</u>	<u>\$ (422,986)</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,427,160</u>	<u>88,383</u>	<u>104,296</u>	<u>24,958</u>	<u>1,644,797</u>
<i>Fund Balance - End of Year</i>	<u>\$ 945,452</u>	<u>\$ 61,937</u>	<u>\$ 76,801</u>	<u>\$ 137,620</u>	<u>\$ 1,221,810</u>

The notes to the financial statements are an integral part of this statement.

**Chickasha School District No. I-001, Grady County, Oklahoma**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types**  
**For the Year Ending June 30, 2013**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 2,315,248	\$ 2,315,248	\$ 2,580,786	\$ 607,684	\$ 635,009	\$ 674,165	\$ 2,118,874	\$ 2,118,874	\$ 2,172,036
Intermediate Sources	360,000	360,000	402,319	0	1,311	0	0	0	0
State Sources	10,634,635	10,921,031	11,178,194	12,199	12,199	13,515	0	0	0
Federal Sources	1,916,595	1,916,595	1,747,164	624,917	719,909	719,911	0	0	0
Non-Revenue Receipts	0	0	6,998	0	0	0	0	0	23,638
<i>Total Revenue Collected</i>	<u>\$ 15,226,478</u>	<u>\$ 15,512,874</u>	<u>\$ 15,915,462</u>	<u>\$ 1,244,799</u>	<u>\$ 1,368,427</u>	<u>\$ 1,407,590</u>	<u>\$ 2,118,874</u>	<u>\$ 2,118,874</u>	<u>\$ 2,195,675</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 11,169,241	\$ 11,455,637	\$ 9,835,717	\$ 9,400	\$ 9,400	\$ 8,184	\$ 0	\$ 0	\$ 0
Support Services	5,371,021	5,371,021	6,472,799	381,355	381,355	370,146	0	0	0
Operation of Non-Instructional Services	476,318	476,318	770,189	595,057	718,686	562,529	0	0	0
Facilities Acquisition and Construction	0	0	23,670	0	0	9,235	0	0	0
Other Outlays	190,549	190,549	567	0	0	0	2,223,170	2,223,170	2,223,170
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 17,207,129</u>	<u>\$ 17,493,525</u>	<u>\$ 17,102,942</u>	<u>\$ 985,812</u>	<u>\$ 1,109,440</u>	<u>\$ 950,094</u>	<u>\$ 2,223,170</u>	<u>\$ 2,223,170</u>	<u>\$ 2,223,170</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (1,980,651)</u>	<u>\$ (1,980,651)</u>	<u>\$ (1,187,481)</u>	<u>\$ 258,987</u>	<u>\$ 258,987</u>	<u>\$ 457,496</u>	<u>\$ (104,296)</u>	<u>\$ (104,296)</u>	<u>\$ (27,495)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,955</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,098</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 1,832	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	553,691	553,691	646,987	630	630	700	0	0	0
Transfers Out	(200)	(200)	0	(348,000)	(348,000)	(501,740)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 553,491</u>	<u>\$ 553,491</u>	<u>\$ 648,819</u>	<u>\$ (347,370)</u>	<u>\$ (347,370)</u>	<u>\$ (501,040)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (1,427,160)</u>	<u>\$ (1,427,160)</u>	<u>\$ (481,707)</u>	<u>\$ (88,383)</u>	<u>\$ (88,383)</u>	<u>\$ (26,446)</u>	<u>\$ (104,296)</u>	<u>\$ (104,296)</u>	<u>\$ (27,495)</u>
<i>Fund Balance - Beginning of Year</i>	<u>1,427,160</u>	<u>1,427,160</u>	<u>1,427,160</u>	<u>88,383</u>	<u>88,383</u>	<u>88,383</u>	<u>104,296</u>	<u>104,296</u>	<u>104,296</u>
<i>Fund Balance - End of Year</i>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ 945,452</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 61,937</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 76,801</u>

The notes to the financial statements are an integral part of this statement.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies**

The basic financial statements of the Chickasha Public Schools Independent District No. 1, Grady County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

**1.A. Reporting Entity**

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and /or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

A new criterion was established by GASBS Statement No. 39 that became effective for the year ended June 30, 2004. Under GASBS Statement No. 39, a legally separate, tax-exempt organization should be reported as a component unit if: 1) the economic resources of the separate organization are almost entirely for the direct benefit of the primary government or its constituents, 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, 3) and if the economic resources of the separate organization are significant to the primary government. Under this criterion, Chickasha Public School Foundation would be required to be included in the District's financial statements as a discretely presented component unit. However, the District has elected not to include it in the District's reporting entity.

**1.B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, Governmental Fund Types, (continued)**

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

**1. General Fund** - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

**2. Special Revenue Funds** - The Special Revenue Funds of the District consist of the Building Fund and the Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund.

**3. Debt Service Fund** - The debt service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

**4. Capital Projects Fund** - The capital projects fund consists of the District's building and transportation bond issues. These funds are used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating exiting facilities and purchasing transportation equipment.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, (continued)**

**Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

**1. Agency Funds** - The Agency Fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

**2. Gift Fund** – The gift fund consists of the Pro WM L Williams Scholarship fund and is a non-expendable trust fund. The principal may not be expended but the annual interest may be awarded to a local student based upon a science project.

**3. Insurance Recovery Fund** – The Insurance Recovery Fund was established when a school building burned and an insurance reimbursement was received. This fund is used to account for monies received from insurance claims and the District anticipates spending the proceeds for construction, education supplies and equipment as allowed by law.

**Account Groups**

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the District. The District does not have the information necessary to include this group in its combined financial statements.

**Memorandum Only - Total Column**

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.C. Basis of Accounting and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

**1.D. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

**1.E. Assets, Liabilities and Fund Equity**

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.E. Assets, Liabilities and Fund Equity, (continued)**

Property Tax Revenues – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories – The value of consumable inventories at June 30, 2013, is not material to the basic financial statements.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The District does not pay for unused sick leave upon retirement and, therefore, no amount has been reported in the general long-term debt account group.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Balance - In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund ) and those that are spendable (such as fund balance associated with cash, investments or receivables).

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.E. Assets, Liabilities and Fund Equity, (continued)**

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

**Assigned** fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**1.F. Revenue, Expenses, and Expenditures**

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.



**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.F. Revenue, Expenses, and Expenditures, (continued)**

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers in/transfers out may not agree because activity fund transactions are not included.

**Note 2 – Deposit and Investment Risk**

The District held the following deposits and investments at June 30, 2013:

			Carrying Value
Deposits			
Demand Deposits		\$	3,127,709
Time Deposits			0
Total Deposits		\$	<u>3,127,709</u>
Investments			
	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
			\$ 0
Total Investments			<u>\$ 0</u>
Reconciliation to the Combined Statement of Assets, Liabilities and Equity			
Cash and Cash Equivalents		\$	3,085,465
Activity Fund Outstanding Checks			42,244
Total Deposits and Investments		\$	<u>3,127,709</u>

**Custodial Credit Risk** – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013, the District was not exposed to custodial credit risk as defined above.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 2 – Deposit and Investment Risk, (continued)**

**Investment Credit Risk** – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies..
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2013, as defined above.

**Investment Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

**Concentration of Investment Credit Risk** – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2013, the District had no concentration of credit risk as defined above.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 3 - General Long-term Debt**

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements and transportation purposes. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable, and capital leases. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	Bonds Payable	Capital Leases	Compensated Absences	Total
Balance July 1, 2012	2,330,000	33,579,501	333,580	36,243,081
Additions	4,175,000	100,429	9,904	4,285,333
Retirements	-2,180,000	-4,182,994	0	-6,362,994
Balance, June 30, 2013	4,325,000	29,496,936	343,484	34,165,420

A brief description of the outstanding general obligation bond issues at June 30, 2013, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2012 Combined Purpose Bonds	1.00%	July 1, 2015	\$ 4,175,000	\$ 4,175,000
2006 Building Bonds Series B	3.9 to 4.05%	July 1, 2016	450,000	150,000
<b>Totals</b>			<b>\$ 4,625,000</b>	<b>\$ 4,325,000</b>

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	Principal	Interest	Total
<b>2006 Combined Purpose Bonds</b>			
2013-14	0	8,025	8,025
2014-15	50,000	6,025	56,025
2015-16	50,000	4,025	54,025
2016-17	50,000	2,025	52,025
<b>Sub Total</b>	<b>\$ 150,000</b>	<b>\$ 20,100</b>	<b>\$ 170,100</b>
<b>2012 Combined Purpose Bond</b>			
2013-14	\$ 0	\$ 41,750	\$ 41,750
2014-15	1,955,000	41,750	1,996,750
2015-16	2,220,000	22,200	2,242,200
<b>Sub Total</b>	<b>\$ 4,175,000</b>	<b>\$ 105,700</b>	<b>\$ 4,280,700</b>
<b>Total Bonds</b>	<b>\$ 4,325,000</b>	<b>\$ 125,800</b>	<b>\$ 4,450,800</b>

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 3 - General Long-term Debt, (continued)**

The District has entered into lease agreements as lessee for financing a 2013 Ford Pickup, an Early Childhood Center, an Activity Center, High School Improvements, Exterior Doors, Land, a building integrator system and Electrical upgrades and carpet. These lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease terms and they have been recorded at the present value of the future minimum lease payments. These leases contain a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year. The exterior doors and activity center were paid off during the 2012-13 fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above lease. The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending	2013 Ford Pickup	Early Childhood Center	High School Improvements	Honeywell Bldg Integrator System	Land	Elect Upgrade Carpet	Total
June 30							
2014	\$ 7,355	0	0	16,029	9,500	21,643	\$ 54,527
2015	7,355	900,900	3,460,050	16,510	9,500	21,644	4,415,959
2016	7,355	0	0	17,005	9,500	21,644	55,504
2017	7,355	1,074,150	3,509,550	17,515	9,500	21,644	4,639,714
2018	7,355	0	0	0	9,500	21,644	38,499
2019	0	1,262,250	3,509,550	0	9,500	21,644	4,802,944
2020	0	0	0	0	12,000	21,644	33,644
2021	0	4,959,600	0	0	0	21,644	4,981,244
2022	0	0	0	0	0	21,644	21,644
2023	0	5,157,600	0	0	0	0	5,157,600
2024	0	0	0	0	0	0	0
2025	0	5,365,500	0	0	0	0	5,365,500
Total	\$ 36,775	18,720,000	10,479,150	67,059	69,000	194,795	\$ 29,566,779
Amount Representing Int.	-3,405	0	0	0	0	-66,438	-69,843
Present Value of Future							
Minimum Lease Payments	\$ 33,370	18,720,000	10,479,150	67,059	69,000	128,357	\$ 29,496,936

**Compensated Absences**

The District accrues for unused sick and vacation leave for eligible employees. Unused sick leave is calculated at \$10 per day and capped at 120 days. Unused sick days over 120 is still maintained in a bank for the purpose of the employee applying amount to buy additional teacher retirement up retirement. Unused vacation leave for eligible employees is calculated by multiplying the employees daily rate by the number of unused vacation days at June 30. The following is the liability as of June 30, 2013:

Unused Sick Leave Liability	\$288,199
Unused Vacation Liability	<u>55,285</u>
Total Compensated Absences	<u>\$343,484</u>

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 4 - Employee Retirement System**

**Plan Description** - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System (PERS). The administration, benefits, and funding of the System are governed by Article XVII, Section 70 of the Oklahoma Statutes. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. PERS provides retirement, disability and death benefits to plan members and beneficiaries. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

**Funding Policy** - Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public education institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.50% of applicable compensation for the year ended June 30, 2013. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2013, 2012, and 2011 were \$893,081, \$852,687, and \$883,360 respectively.

The compensation for employees covered by the System for the year ended June 30, 2013 was \$9,235,906; the District's total compensation was \$12,583,730. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.00% of compensation arising from federal grants (\$57,550). There were \$488,468 contributions made by employees during the year ended June 30, 2013.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

Total pension obligation	\$ 18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Nonfunded pension benefit obligation	<u>\$ 8,397,561,658</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 4 - Employee Retirement System, (continued)**

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

**Note 5 - Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**Note 6 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$350,000,000; general liability - \$1,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the school reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five year. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

**Note 7 - Use of Estimates**

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Chickasha ISD No. 1, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 8 – Budget Amendments**

The General Fund Budget was amended once during the year by filing a supplemental appropriation form with the county clerk's office. The supplemental appropriation form was filed June 17, 2013 in the amount of \$286,396. This increased the original General Fund Budget from \$17,207,329 to \$17,493,725.

The Child Nutrition Fund Budget was amended twice during the year by filing a supplemental appropriation forms with the county clerk's office. These supplemental forms were filed June 1, 2013 for \$84,929 and June 17, 2013, for \$38,700. This increased the original Child Nutrition Fund Budget from \$943,057 to \$1,066,686.

**Note 9 – Surety Bonds**

The District has a schedule bond with the Ohio Casualty Insurance company bond number 1594556 for the period January 1, 2013 to January 1, 2014 which covers the following positions:

Superintendent	\$100,000
Child Nutrition fund Custodian	10,000
Activity Fund Custodian/Encumbrance Clerk	10,000
Encumbrance Clerk	10,000
Treasurer	75,000
Minutes Clerk	1,000
Payroll Clerk	25,000

OTHER SUPPLEMENTAL INFORMATION



**Chickasha School District No. I-001, Grady County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2013**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2013</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 89,891	\$ 10,874	\$ 100,765
Investments	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 89,891</u>	<u>\$ 10,874</u>	<u>\$ 100,765</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities:			
Warrants Payable	\$ 4,615	\$ 1,002	\$ 5,617
Reserve for Encumbrances	<u>33,212</u>	<u>0</u>	<u>33,212</u>
<i>Total Liabilities</i>	<u>\$ 37,826</u>	<u>\$ 1,002</u>	<u>\$ 38,829</u>
Fund Balances:			
Restricted	<u>\$ 52,065</u>	<u>\$ 9,872</u>	<u>\$ 61,937</u>
<i>Total Fund Balances</i>	<u>\$ 52,065</u>	<u>\$ 9,872</u>	<u>\$ 61,937</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 89,891</u>	<u>\$ 10,874</u>	<u>\$ 100,765</u>

**Chickasha School District No.1-001, Grady County, Oklahoma**  
**Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - Special Revenue Funds**  
**For the Year Ending June 30, 2013**

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>Cooperative Fund</b>	<b>Total June 30, 2013</b>
<b>Revenue Collected:</b>				
Local Sources	\$ 357,893	\$ 316,272	\$ 0	\$ 674,165
Intermediate Sources	0	0	0	0
State Sources	4	13,510	0	13,515
Federal Sources	0	719,911	0	719,911
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 357,897</u>	<u>\$ 1,049,693</u>	<u>\$ 0</u>	<u>\$ 1,407,590</u>
<b>Expenditures Paid:</b>				
Instruction	\$ 8,184	\$ 0	\$ 0	\$ 8,184
Support Services	370,146	0	0	370,146
Operation of Non-Instructional Services	0	562,529	0	562,529
Facilities Acquisition and Construction	9,235	0	0	9,235
Other Outlays	0	0	0	0
Other Uses	0	0	0	0
Repayments	0	0	0	0
Interest Paid and Bank Charges	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 387,565</u>	<u>\$ 562,529</u>	<u>\$ 0</u>	<u>\$ 950,094</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (29,668)</u>	<u>\$ 487,164</u>	<u>\$ 0</u>	<u>\$ 457,496</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 17,098</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,098</u>
<b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	700	0	700
Transfers Out	0	(501,740)	0	(501,740)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ (501,040)</u>	<u>\$ 0</u>	<u>\$ (501,040)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (12,570)</u>	<u>\$ (13,876)</u>	<u>\$ 0</u>	<u>\$ (26,446)</u>
<i>Fund Balance - Beginning of Year</i>	<u>64,634</u>	<u>23,748</u>	<u>0</u>	<u>88,383</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 52,065</u></u>	<u><u>\$ 9,872</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 61,937</u></u>

Chickasha School District No.1-001, Grady County, Oklahoma  
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances  
Special Revenue Funds - Budget and Actual  
For the Year Ending June 30, 2013

	Building Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 326,120	\$ 326,120	\$ 357,893	\$ 281,563	\$ 308,888	\$ 316,272	\$ 607,684	\$ 635,009	\$ 674,165
Intermediate Sources	0	0	0	0	1,311	0	0	1,311	0
State Sources	0	0	4	12,199	12,199	13,510	12,199	12,199	13,515
Federal Sources	0	0	0	624,917	719,909	719,911	624,917	719,909	719,911
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 326,120</u>	<u>\$ 326,120</u>	<u>\$ 357,897</u>	<u>\$ 918,679</u>	<u>\$ 1,042,307</u>	<u>\$ 1,049,693</u>	<u>\$ 1,244,799</u>	<u>\$ 1,368,427</u>	<u>\$ 1,407,590</u>
<b>Expenditures Paid:</b>									
Instruction	\$ 9,400	\$ 9,400	\$ 8,184	\$ 0	\$ 0	\$ 0	\$ 9,400	\$ 9,400	\$ 8,184
Support Services	381,355	381,355	370,146	0	0	0	381,355	381,355	370,146
Operation of Non-Instructional Services	0	0	0	595,057	718,686	562,529	595,057	718,686	562,529
Facilities Acquisition and Construction	0	0	9,235	0	0	0	0	0	9,235
Other Outlays	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 390,755</u>	<u>\$ 390,755</u>	<u>\$ 387,565</u>	<u>\$ 595,057</u>	<u>\$ 718,686</u>	<u>\$ 562,529</u>	<u>\$ 985,812</u>	<u>\$ 1,109,440</u>	<u>\$ 950,094</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (64,634)</u>	<u>\$ (64,634)</u>	<u>\$ (29,668)</u>	<u>\$ 323,622</u>	<u>\$ 323,622</u>	<u>\$ 487,164</u>	<u>\$ 258,987</u>	<u>\$ 258,987</u>	<u>\$ 457,496</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,098</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,098</u>
<b>Other Financing Sources (Uses):</b>									
Estopped Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	0	0	630	630	700	630	630	700
Transfers Out	0	0	0	(348,000)	(348,000)	(501,740)	(348,000)	(348,000)	(501,740)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (347,370)</u>	<u>\$ (347,370)</u>	<u>\$ (501,040)</u>	<u>\$ (347,370)</u>	<u>\$ (347,370)</u>	<u>\$ (501,040)</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (64,634)</u>	<u>\$ (64,634)</u>	<u>\$ (12,570)</u>	<u>\$ (23,748)</u>	<u>\$ (23,749)</u>	<u>\$ (13,876)</u>	<u>\$ (88,383)</u>	<u>\$ (88,383)</u>	<u>\$ (26,446)</u>
<i>Fund Balance - Beginning of Year</i>	<u>64,634</u>	<u>64,634</u>	<u>64,634</u>	<u>23,748</u>	<u>23,748</u>	<u>23,748</u>	<u>88,383</u>	<u>88,383</u>	<u>88,383</u>
<i>Fund Balance - End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,065</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 9,872</u>	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 61,937</u>

Exhibit A-3

**Chickasha School District No.1-001, Grady County, Oklahoma**  
**Combining Assets, Liabilities and Fund Equity**  
**All Fiduciary Fund Types - Regulatory Basis**  
**For the Year Ending June 30, 2013**

<b><u>ASSETS</u></b>	<b><u>Gift and Endowment Fund</u></b>	<b><u>Insurance Recovery Fund</u></b>	<b><u>School Activity Fund</u></b>	<b><u>Total</u></b>
Cash	\$ 2,553	\$ 13,310	\$ 253,197	\$ 269,060
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 2,553</u>	<u>\$ 13,310</u>	<u>\$ 253,197</u>	<u>\$ 269,060</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Liabilities:				
Warrants Payable	\$ 0	\$ 87	\$ 0	\$ 87
Due To Activity Groups	0	0	253,197	253,197
Encumbrances Payable	<u>0</u>	<u>12,614</u>	<u>0</u>	<u>12,614</u>
<i>Total Liabilities</i>	<u>\$ 0</u>	<u>\$ 12,701</u>	<u>\$ 253,197</u>	<u>\$ 265,898</u>
Fund Equity:				
Unreserved/Undesignated	<u>\$ 2,553</u>	<u>\$ 609</u>	<u>\$ 0</u>	<u>\$ 3,162</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 2,553</u>	<u>\$ 13,310</u>	<u>\$ 253,197</u>	<u>\$ 269,060</u>

**Chickasha School District No. I-001, Grady County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - All Fiduciary Fund Types**  
**For the Year Ending June 30, 2013**

<b>ACTIVITIES</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
ABE/GED	\$ 3,044	\$ 13,000	\$ 14,141	\$ 1,904
Archery in the Schools	9,267	23,214	13,515	18,966
Textbook/Equipment	0	2,589	2,589	0
Flower Fund-Administration	56	154	197	12
Board of Education	2,168	43,633	43,373	2,429
Grand Elementary	15,809	14,685	13,730	16,763
Lunch Fund	253	161,456	161,709	(0)
Grand Robotics	0	250	0	250
Lincoln Elementary	1,123	3,314	3,428	1,009
Alternative Education	238	428	505	162
Trans/Maintenance	212	538	468	283
Lincoln Robotics	0	500	241	259
Grand Daycare	12,811	59,088	70,361	1,538
Grand Library	648	17	232	433
Lincoln Journalism	814	2,040	1,693	1,161
Lincoln Vocal Music	0	6,174	5,896	278
Lincoln Media Center	842	792	857	777
Lincoln Pictures/Vending	3,215	1,953	424	4,744
Middle School Office	1,113	1,580	1,710	983
MS Robotics	0	6,061	440	5,621
MS Cheerleaders	33	0	0	33
MS Faculty Fund	18	0	0	18
Science Club	244	165	310	100
MS Enrichment Program	404	(2)	0	402
MS F.C.C.L.A.	2,523	3,451	3,750	2,223
MS Academic Programs	51	284	235	100
MS Art	905	(5)	25	875
MS Honor Society	1,090	2,880	2,671	1,299
MS Indust. Arts-AT/AE	2,766	799	805	2,760
MS Journalism	589	3,830	3,373	1,047
MS Pictures/Vending	6,280	1,738	904	7,115
MS Library	801	262	166	897
MS 7th Grade Class	424	(3)	0	422
MS Student Council	1,398	81	0	1,479
MS Vocal Music	207	(1)	64	143
Early Childhood Center	8,603	26,174	29,989	4,789
Early Childhood Media	925	1,291	1,372	844
ECC Pictures	3,441	4,990	6,507	1,923
ECC Daycare	9,816	37,934	40,910	6,839
BW Memorial Fund	120	25	138	7
Alt E. Vending/Picture	581	695	739	537
Grand Pictures	5,942	1,654	2,232	5,365
Grand Spirit Squad	2,264	9,999	10,855	1,408
BJ Clack 11-12	30,029	42	16,547	13,524
BJ Clack 12-13	0	20,016	0	20,016
BJ Clack 07--08	6,107	12	0	6,119
BJ Clack 08-09	1,237	2	0	1,239
Sub Total	\$ 138,413	\$ 457,778	\$ 457,097	\$ 139,094

**Chickasha School District No I-001, Grady County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - All Fiduciary Fund Types**  
**For the Year Ending June 30, 2013**

<b>ACTIVITIES</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
BJ Clack 09-10	\$ 2,743	\$ 2	\$ 2,644	\$ 101
BJ Clack 10-11	20,353	29	8,630	11,751
Nurse Fund	236	(1)	0	234
High School Office	2,466	7,298	5,726	4,038
Student ID Badges	257	210	0	467
Robotics	9,263	40,598	37,449	12,411
Art Club	1,497	2,490	3,272	716
Band	6,685	23,970	24,394	6,261
Key Club	984	518	208	1,294
Chess Club	6	(0)	0	6
Vending Machine	5,338	6,781	7,686	4,434
HS Journalism	8,852	18,814	19,860	7,806
Freshman Class	254	817	545	525
Junior Class	2,239	2,007	3,301	944
Sophomore Class	359	891	467	783
Senior Class	38	5,463	4,649	853
Drama	120	1,082	1,006	196
Driver's Education	0	13,239	13,239	0
FFA	8,833	68,534	63,193	14,173
French Club	406	(2)	0	404
High School Fund Raiser	367	(2)	221	144
Horticulture	3,341	1,254	2,407	2,188
HS Library	1,376	414	366	1,424
National Honor Society	65	376	411	29
Academic Club	796	1,235	1,279	752
School Store	180	230	88	322
Spanish Club	106	1,421	1,172	355
Special Olympics	8,163	3,840	4,754	7,248
Student Council	2,603	1,264	1,957	1,910
Vehicle Registration	3,393	290	2,193	1,490
Vocal Music	3,094	8,490	8,705	2,879
After Prom Account	166	3,297	2,131	1,332
Jr/Sr. Prom	1,841	6,656	6,610	1,886
Coaches Account	549	1,951	1,648	852
Cross Country	0	1,000	1,000	0
Football	0	7,934	7,891	43
Basketball Boys	257	5,043	4,024	1,276
Basketball Girls	390	4,210	4,600	0
Swimming	181	2,247	2,165	263
Baseball	3,037	17,063	19,151	949
Softball	2,510	13,483	15,993	0
Wrestling	1,641	5,041	6,682	0
Tennis Boys	501	3,649	4,055	95
Track	922	3,143	4,065	0
Boys Golf	4	3,301	2,304	1,002
Soccer	514	3,486	3,431	569
Sub Total	\$ 106,925	\$ 293,054	\$ 305,574	\$ 94,405

**Chickasha School District No I-001, Grady County Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ending June 30, 2013**

<b><u>ACTIVITIES</u></b>	<b><u>Balance</u></b> <b><u>July 1, 2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2013</u></b>
Athletic Miscellaneous	\$ 1,766	\$ 13,025	\$ 7,203	\$ 7,588
Carryover	351	3,423	3,478	296
Concessions	10,227	90,959	95,562	5,624
Pom Pom	51	5,078	5,036	93
Cheerleading	352	4,670	4,892	130
Volleyball	40	960	751	249
Athletic Gate	8,899	203,349	206,614	5,634
Athletics Medical	623	1,377	1,917	83
Sub Total	<u>\$ 22,309</u>	<u>\$ 322,842</u>	<u>\$ 325,453</u>	<u>\$ 19,698</u>
Total Activity Funds	<u>\$ 267,647</u>	<u>\$ 1,073,674</u>	<u>\$ 1,088,123</u>	<u>\$ 253,197</u>
Insurance Recovery Fund	<u>\$ 59,340</u>	<u>\$ 49</u>	<u>\$ 46,079</u>	<u>\$ 13,310</u>
Gift Fund	<u>\$ 1,650</u>	<u>\$ 904</u>	<u>\$ 0</u>	<u>\$ 2,554</u>
Total All Fiduciary Fund Types	<u>\$ 328,637</u>	<u>\$ 1,074,626</u>	<u>\$ 1,134,202</u>	<u>\$ 269,060</u>

**CHICKASHA INDEPENDENT SCHOOL DISTRICT NO. 1, GRADY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS EXPENDED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/Pass Through Grantor/Program Title</b>	<b>Federal CFDA#</b>	<b>Pass-Through Grantor's Project Number</b>	<b>Deferred Revenue (Accounts Receivable) July 1, 2012</b>	<b>Federal Grant Receipts</b>	<b>Federal Grant Expenditures</b>	<b>Deferred Revenue (Accounts Receivable) June 30, 2013</b>	<b>Indirect Costs Included In Federal Grant Expenditures</b>
<b>U.S. Department of Education</b>							
<u>Passed Through Oklahoma State Department of Education:</u>							
Title I, Part A, Basic (Notes 3 & 4)	84.010	511/786	(23,454)	688,308	677,939	(13,084)	26,751
Title I, Part D, Subpart 2, Delinquent	84.010	532	(13,741)	32,201	18,460	0	0
<b>Title I Cluster</b>			<b>(37,195)</b>	<b>720,509</b>	<b>696,398</b>	<b>(13,084)</b>	<b>26,751</b>
IDEA-B, Part B Discretionary	84.027	613	(5,000)	5,000	0	0	0
IDEA-B Flowthrough	84.027	621	(6,227)	498,959	495,154	(2,421)	20,312
IDEA-B Preschool	84.173	641	0	12,424	12,424	0	0
<b>Special Education Cluster</b>			<b>(11,227)</b>	<b>516,383</b>	<b>507,578</b>	<b>(2,421)</b>	<b>20,312</b>
Title II, Part A (Notes 3 & 4)	84.367	541	(12,733)	145,196	157,233	(24,771)	6,214
Adult Basic Education	84.002	731	(231)	114,118	126,561	(12,674)	0
Reach Coaches	84.410	792/795	0	133,852	133,852	0	0
<u>Passed Through Oklahoma Department of Career Technology:</u>							
Cark Perkins	84.008	421	0	27,881	27,881	0	0
<b>Total U.S. Department of Education</b>			<b>(61,386)</b>	<b>1,657,939</b>	<b>1,649,504</b>	<b>(52,951)</b>	<b>53,277</b>
<b>U.S. Department of Health and Human Services</b>							
<u>Passed through Oklahoma Health Care Authority:</u>							
Medicaid Resources	93.778	698	15,282	32,903	39,333	8,851	0
<u>Passed through Oklahoma Department of Human Services:</u>							
Temp Assist for Needy Family TANF	93.558	735	(4,960)	47,315	52,211	(9,857)	0
<b>Total U.S. Department of Health and Human Services</b>			<b>10,322</b>	<b>80,217</b>	<b>91,544</b>	<b>(1,005)</b>	<b>0</b>
<b>U.S. Department of the Interior</b>							
Johnson O'Malley (Note 4)	15.130	563	(9,008)	9,008	10,012	(10,012)	0
<b>Total U.S. Department of the Interior</b>			<b>(9,008)</b>	<b>9,008</b>	<b>10,012</b>	<b>(10,012)</b>	<b>0</b>
<b>U.S. Department of Agriculture</b>							
<u>Passed Through State Department of Education:</u>							
Breakfast Program	10.553	764	0	196,904	196,904	0	0
Lunch Program	10.555	763	0	512,695	512,695	0	0
Summer Food Service	10.559	766	895	10,312	10,312	895	0
Commodities Distributed-Lunch (Note 2)	10.555	N/A	0	41,197	41,197	0	0
<b>Child Nutrition Cluster</b>			<b>895</b>	<b>761,108</b>	<b>761,108</b>	<b>895</b>	<b>0</b>
<b>Total U.S. Department of Agriculture</b>			<b>895</b>	<b>761,108</b>	<b>761,108</b>	<b>895</b>	<b>0</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>(59,177)</b>	<b>2,508,272</b>	<b>2,512,168</b>	<b>(63,073)</b>	<b>53,277</b>

Note 1 - The Schedule of Federal Awards expended was prepared using the same accounting policies used in preparing the District's Financial Statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

Note 2 - Commodities received were of a nonmonetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - Consolidated administrative funds revenues and expenditures are included with the programs that provided the funding: Title I, Part A- \$30,005 and Title II, Part A-\$6,685. The expenditures were tracked using project code 786.

Note 4 - The district's OCAS data reflected more expenditures than the amount claimed. Most of the differences were due to expenditures being encumbered but not paid. The amounts overcoded were as follows: project 511 - \$1,116; project 563 - \$1,154; project 621 - \$10,468.





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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education  
Chickasha Independent School District #1  
Grady County, Oklahoma

Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the fund type and account group financial statements, regulatory basis, of **Chickasha Independent School District #1**, Grady County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's combined financial statements and have issued our report thereon dated December 3, 2013. The report on these financial statements was adverse because the District has elected to prepare its financial statements on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. Our opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Chickasha Independent School District #1**, Grady County, Oklahoma's (The District's), internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The District's internal control. Accordingly, we do not express an opinion on the effectiveness of The District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2013-1, 2013-2,)

### **Compliance and Other Matters**

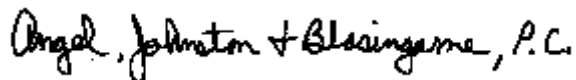
As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Chickasha Independent School District #1, Oklahoma's, Response to Findings**

Chickasha Independent School District #1, Oklahoma's responses to the findings identified in our audit are described in the attached corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chickasha, Oklahoma  
December 3, 2013



ANGEL,  
JOHNSTON &  
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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

The Honorable Board of Education  
Chickasha Independent School District #I-1  
Grady County, Oklahoma

Board Members:

**Report on Compliance for Each Major Federal Program**

We have audited **Chickasha Independent School District #I-1**, Grady County, Oklahoma's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of **Chickasha Independent School District, I-1** Grady County, Oklahoma's, major federal programs based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, **Chickasha Independent School District #I-1**, Grady County, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

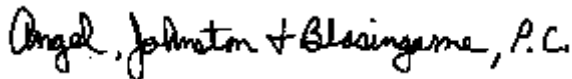
## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Chickasha, Oklahoma  
December 3, 2013

**Chickasha ISD No. 1, Grady County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**Section 1**

**Summary of Auditor's Results**

Financial Statements

- |  |   |
|--|---|
| 1. Type of auditor's report issued   | Adverse<br>(Due to F/S being prepared on a regulatory basis of accounting.) |
|  |   |
| 2. Internal control over financial reporting;                                  |   |
| a. Material weaknesses identified?   | None Reported   |
| b. Significant deficiencies identified not considered to be material weakness? | Yes   |
| c. Noncompliance material to the financial statements noted?                   | No  |

Federal Awards

- |   |                                |
|---|--------------------------------|
| 1. Internal control over major program:   |                                |
| a. Material weaknesses identified?  | No                             |
| b. Significant deficiencies identified not considered to be material weakness?  | None Reported                  |
| 2. Type of auditor's report issued on compliance for major program:   | Unqualified                    |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No                             |
| 4. Identification of major programs:  |                                |
| <u>CFDA Number</u>  | <u>Name of Federal Program</u> |
| 10.553/10.555/10.559  | Child Nutrition Cluster        |
| 84.027/84.173   | Special Education Cluster      |
| 5. Dollar threshold used to distinguish between Type A or Type B programs:  | \$300,000                      |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?                                       | No                             |

**Chickasha ISD No. 1, Grady County**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013  
(continued)

## Section 2

### Financial Statement Findings

#### **2013-1 Finding**

**Statement of Condition** - The District opened a new bank account that was not approved in the board minutes.

**Criteria** - The board of education should approve opening and closing of bank accounts to ensure all moneys are accounted for.

**Cause/Effect of Condition** - The Finance Director was trying to spread money around financial institutions because banks don't want to pledge collateral. However, he did not obtain board approval prior to opening the account. Having bank accounts opened without board approval, increases risk of fraud.

**Recommendation** - The board should approve the opening and closing of all district bank accounts.

#### **2013-2 - Finding**

**Statement of Condition** - The retirement burden for employees paid with federal grant funds was underpaid by 1%.

**Criteria** - The additional federal match rate required to be paid on salaries paid with federal funds was increased by 1% for the 2012-13 year.

**Cause/Effect of Condition** - The federal match rate increased in the 2012-13 year from 7% to 8%, The payroll clerk was not aware that the rate had changed and, therefore, federal matching teacher retirement was underpaid by 1%.

**Recommendation** - The District should contact teacher retirement to see what steps need to be taken to remedy the underpayment. Also, teacher retirement rates should be updated each year for any rate changes.

## Section 3

### Federal Award Findings

(None Reported)

## OTHER INFORMATION

**Chickasha ISD No. 1, Grady County**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2013**

Financial Statement Findings

**2012-1 Finding**

**Statement of Condition** - Sick leave and vacation leave taken by employees was not always turned in to the person in charge of tracking employee leave. Per discussions with management, it was the employee's responsibility to turn in the time taken off. Upon review of existing leave request documentation, we noted that there was no signature of the employee or the supervisor verifying the time taken. We also noted that several different individuals had access to the computer program where leave data was being compiled. In addition, all individuals with access to the program had the same password for access. Therefore, changes could be made to leave records without being able to identify the person who had made the changes

**Criteria** - Good internal controls require procedures be in place to ensure time taken off by an employee is accurately tracked and that access to the leave records is limited to individuals whose duty is to track employees leave.

**Cause/Effect of Condition** - Lack of internal controls and procedures gives opportunity to individuals to abuse vacation and sick leave.

**Recommendation** - We recommend employees be required to complete a leave request form which will document the time taken off by an employee. This leave request form should be signed by a supervisor as well as the employee. The supervisor should turn in the leave request form to the person whose duty it is to track employee leave. The person updating the employee's leave records should also sign and date the request form upon updating the employee's leave records. Access to the leave records should be limited to the person whose duty it is to maintain these records. And finally, we recommend that passwords be employee specific and be updated periodically.

**Current Status** - This was corrected when the new payroll clerk was hired.

**2012-2 Finding**

**Statement of Condition** - During our testing of payroll contracts, we noted instances where employees were not paid the correct rate for overtime worked. These employees had multiple job positions, with each position to be paid at different hourly rates. Per the Fair Labor Standard Act, an employee who works multiple positions at varying pay rates should be paid a blended rate of pay for any overtime hours worked. The previous payroll clerk was paying overtime at the highest rate. We also noted the previous payroll clerk (who is not considered an exempt employee under the FLSA), was not keeping time sheets prior to November 11, 2011; therefore, we could not determine if they were being paid the correct amount for those months.

**Criteria** - The Fair Labor Standards Act requires hours actually worked in excess of 40 hours per work week be paid at one and one-half times their regular rate of pay. In the case of individuals working different types of jobs within the school, a blended rate should be calculated. This should be a blended rate based upon a weighted average of hours worked and pay rates.

**Cause/Effect of Condition** - The previous payroll clerk in charge of calculating overtime did not use a weighted blended rate, but rather used the highest pay rate of all the employee's jobs at time and one-half. Also, we noted instances where overtime was paid to employees who did not actually work over 40 hours in the pay period because of sick/vacation leave. Overtime is only to be paid on actual work hours exceeding 40 hour per work week. Since the miscalculation occurred for all persons receiving overtime pay, we assume the payroll clerk did not understand the overtime pay calculation.

**Recommendation** - Employees should not be paid time and one-half (but would be paid straight time) if they did not actually work over 40 hours in a work week. In the case of individuals working different types of jobs within the school, a blended rate should be calculated. This should be a blended rate based upon a weighted average of hours worked and pay rates. The school should also require all non-exempt employees to prepare a time sheet to document their hours worked. These time sheets should be signed by the employee as well as a supervisor. Finally, we recommend the payroll clerk attend training classes on the Fair Labor Standards Act.

**Current Status** - This was corrected when the new payroll clerk was hired.

**2012-3 Finding** - We noted the rate of pay on the payroll contract for the previous Board clerk was increased during the year, but we could not find where this increase was approved in the board minutes.

**Criteria** - It appears normal procedures require any change to contract to be approved by the board of education.

**Cause/Effect of Condition** - It appears the school failed to get the revised contract approved by the board of education.

**Recommendation** - As per normal procedures, we recommend contracts that are changed after the initial contract is approved by the board of education be brought back to the board for approval.

**Current Status** - This was not an issue for the 2012-13 year.



**Chickasha ISD No. 1, Grady County**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2013**  
(Continued)

**2012-4 Finding**

**Statement of Condition** - We noted three (3) child nutrition employee payroll contracts that did not have the federal matching teacher retirement paid. The underpayment amount was \$2,356.22. This underpayment in no way effects the employees teacher retirement. We also tested several employees' contracts that are paid form other federal programs and found that the correct amount of teacher retirement was paid.

**Criteria** - Federal matching teacher retirement is required to be paid on all salaries coded to and paid from federal monies.

**Cause/Effect of Condition** - It appears some of these salaries were reclassified from a non-federal code to a federal code at year-end. The payroll software used by the school does not automatically adjust for matching federal teacher retirement when salaries are reclassified. This must be done manually in the payroll system. The previous payroll clerk did not make an adjustment for these payroll reclassifications.

**Recommendation** - Employees in charge of teacher retirement coding should take extra care when changing coding to make sure that the federal matching teacher retirement is paid on all salaries coded to a federal project code. We would also recommend the district notify Teacher's Retirement and remit the amount that was underpaid of \$2,356.22.

**Current Status** - They paid the matching teacher retirement for the 2012-13 year, however, it appears they used the 2011-12 matching rate of 7% instead of the 2012-13 rate of 8%.

**2012-5 Finding**

**Statement of Condition** - We noted that beginning in November 2011, gate keepers and athletic book keepers were being paid their regular hourly rates (or time and one-half of their regular hourly rates if overtime applied) rather than the amount of \$10.00/hour that they had been paid in the past.

**Criteria** - The school should have an established rate of pay for athletic book keepers and gate keepers

**Cause/Effect of Condition** - The school did not appear to have established hourly rate of pay for gate keepers and athletic book keepers and these rates are paid to everyone who workes these positions. In prior years, these individuals wer paid \$10.00 per hour.

**Recommendation** - We recommend a rate of pay be approved for gate keepers and athletic book keepers and these rates are paid to everyone who workd these positions. A blended rate should be paid based on a weighted average of all hours worked should these individuals work in excess of 40 hours per pay period.

**Current Status** - This was corrected during the 2012-13 year.

**2012-6 Finding**

**Statement of Condition** - The district's minutes clerk was not covered under a surety bond.

**Criteria** - Oklahoma Statutes require the school minutes clerk position be bonded for \$1,000.

**Cause/Effect of Condition** - The district was not aware of the requirement for the minutes clerk to be bonded.

**Recommendation** - The district should obtain a surety bond for the minutes clerk.

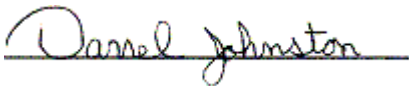
**Current Status** - This was corrected for the 2012-13 year.

Chickasha ISD No. 1, Grady County  
Schedule of Accountant's Professional Liability Insurance Affidavit  
For Year Ending June 30, 2013

STATE OF OKLAHOMA    )  
  )ss  
COUNTY OF GRADY        )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with *Chickasha Schools* for the audit year 2012-13.

ANGEL, JOHNSTON, & BLASINGAME, P.C.

  
by \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Notary Public

My Commission Expires 11-12-2016

## SCHOOL'S CORRECTIVE ACTION PLAN

## Audit Corrections

Chickasha Public School District  
Grady County  
Audit Year 2012-13

### 2013-1 Steps Implemented

The District has always approved an Investment Resolution giving the District Treasurer at his/her discretion, made with judgment and care, the ability to invest all available funds from all school district accounts in interest bearing investments. At the end of the 2012 calendar year new FDIC coverage's went into place allowing us to have \$250,000.00 of funds insured without the need for pledged collateral. Therefore, the District had to reinvest various funds at different banks in town to make sure our funds were properly insured prior to the end of the 2012 calendar year. The Board was made aware of these changes during the Director of Finance's December financial report but no official Board action was taken.

The Treasurer will bring before the Board all opening and closing of bank accounts/investments in the future.

Contact Person: Dwight Yokum, Director of Finance



Completion Date: December 9, 2013

## Audit Corrections


Chickasha Public School District  
Grady County  
Audit Year 2012-13

### 2013-2 Steps Implemented

When the previous payroll clerk set up the 2012-2013 school year payrolls she did not set the Federal match rate at the correct percentage of 8%. This error was discovered at the beginning of the 2013-2014 school year when setting up the new school year.

The District is working with Oklahoma Teachers Retirement System to pay the additional amount of retirement due into the affected staff member's retirement accounts. In addition, when setting up the new school year the District payroll clerk will verify the appropriate percentage rates for teachers retirement for that year.

Contact Person: Dwight Yokum, Director of Finance



Completion Date: December 9, 2013